

Minutes

State, Local Education and Local Government Insurance Committees

April 27, 2023

1:00 P.M.-3:00 P.M. (CST)

The State, Local Education and Local Government Insurance Committees met on Thursday, April 27, 2023 at 1:00 p.m. (central), in the Nashville Room, Third Floor, William R. Snodgrass TN Tower, Nashville, TN and via Cisco WebEx.

Jim Bryson, Chairman, Commissioner of TN Department of Finance & Administration, called the Insurance Committee meetings to order at 1:01 p.m. (central) and noted Deputy Treasurer Rick DuBray attending on behalf of Treasurer David Lillard, and Nicole Shaffer for Comptroller Jason Mumpower.

State Insurance Committee Members

Present:

- Jim Bryson, Chairman, Commissioner of Finance and Administration
- Rick DuBray, State Deputy Treasurer, representing David Lillard, Jr., State Treasurer
- Nicole Shaffer, representing Jason Mumpower, Comptroller of the Treasury
- Carter Lawrence, Commissioner, Commerce and Insurance
- Juan Williams, Commissioner, Human Resources
- Terry Carroll, Tennessee State Employees Association
- Michelle Consiglio-Young, state employee representative
- Judi Knecht, state employee representative
- Holly Girgias, representing Higher Education (TN Board of Regents)
- Sen. Bo Watson, Chair of Senate Finance, Ways and Means Committee (By teleconference)

Absent:

- Rep. Patsy Hazlewood, Chair of House Finance, Ways and Means Committee

Local Education Insurance Committee Members

Present:

- Jim Bryson, Chairman, Commissioner of Finance and Administration
- Rick DuBray, State Deputy Treasurer, representing David Lillard, Jr., State Treasurer
- Nicole Shaffer, representing Jason Mumpower, Comptroller of the Treasury
- Carter Lawrence, Commissioner, Commerce and Insurance
- Maryanne Durski, Department of Education
- Jennifer White, Tennessee School Board Association (by teleconference)
- Erin Johnson, East TN School Employee representative (by teleconference)
- Kristy Baddour, West TN School Employee representative (by teleconference)

Absent:

- Vacant Seat in Middle TN

Local Government Insurance Committee Members

Present:

- Jim Bryson, Chairman, Commissioner of Finance and Administration
- Rick DuBray, State Deputy Treasurer, representing David Lillard, Jr., State Treasurer
- Nicole Shaffer, representing Jason Mumpower, Comptroller of the Treasury
- Kevin Krushenski, Tennessee Municipal League

Absent:

- Nathan Brock, Tennessee County Services Association

A roll call of attendance noted a physical quorum was not met at the beginning of the meeting for the Local Education Insurance Committee. Under T.C.A. § 8-44-108, the Local Education Insurance Committee can rely on the participation of members by telephone or other electronic means to constitute a quorum only upon finding of necessity by the Committee. As the approval of a new actuarial consulting contract award was a time sensitive item for Committee actions, Chairman Bryson called for a motion to approve a Determination of Necessity for the Local Education Insurance Committee. Motion was made by Mr. DuBray and Ms. Shaffer seconded the motion, which passed with the following roll call vote:

Shaffer	yes	DuBray	yes
White	yes	Baddour	yes
Johnson	yes	Bryson	yes

Subsequent to this determination, Maryanne Durski joined the meeting, establishing a physical quorum in the room for the Local Education Committee.

Agenda Item #1 – [Action] Minutes of March 23, 2023 (All Committees):

Chairman Bryson called for a motion for the State Insurance Committee to adopt the minutes. Motion was made by Mr. DuBray and seconded by Ms. Knecht. No discussion occurred and a roll call vote was taken.

Shaffer	Yes	DuBray	Yes
Lawrence	Yes	Williams	Yes
Consiglio-Young	Yes	Knecht	Yes
Carroll	Yes	Watson	Yes
Girgias	Yes	Bryson	Yes

Chairman Bryson called for a motion for the Local Education Insurance Committee to adopt the minutes. Motion was made by Chairman Bryson and seconded by Commissioner Lawrence. No discussion occurred and a roll call vote was taken.

Shaffer	Yes	DuBray	Yes
Lawrence	Yes	Johnson	Yes
Baddour	Yes	White	Yes
Bryson	Yes		

Chairman Bryson called for a motion for the Local Government Insurance Committee to adopt the minutes. Motion was made by Mr. DuBray and seconded by Mr. Krushenski. No discussion occurred and a roll call vote was taken.

Shaffer	yes	DuBray	yes
Krushenski	yes	Bryson	yes

Agenda Item #2 – [Information Only] Presentation by Aon Consulting: Underwriting and trend assumptions for 2024 premiums and benefit decisions:

Chairman Bryson welcomed Colleen Huber, Senior Vice President with Aon Consulting, who has been with the State account for the last ten (10) plus years. Ms. Huber stated the presentation would cover components of state group insurance plan (SGIP) budget, underwriting overview, healthcare landscape, trends, and other background relevant to the premium rate setting decisions of the Committee at the May meeting.

Ms. Huber discussed the nature of the self-funded risk pools for each plan and that the plans pay the claims directly to the provider rather than to an insurance company. Ninety-five percent of the state group insurance plan costs are made up of claims incurred by the members and the remaining 5% are administrative costs. The State acts as the insurer, rather than the carriers. The plans pay for the Third-Party Administrator (TPA) administrative expenses on a fixed, monthly basis to adjudicate the claims, set up the networks and manage the program, not for insurance company profits, reserve, or risk policies. Ms. Huber also explained that if the projected claims come in at lower than forecasted levels, those surpluses can be paid back to the members or used to pay down the premiums.

Commissioner Lawrence asked how the SGIP’s TPA cost compares to other self-funded entities. Ms. Huber stated that our TPA expenses are less than five percent, which is comparable to other groups of our size. Under the ACA (Affordable Care Act) fully insured plans can keep up to 15% of the premium for administrative costs. As our plans are self-funded, we only pay about five cents on every dollar for administrative costs, which is very low.

Ms. Huber then described the different components of our costs. Approximately 70% goes toward medical claims, around 23% for pharmacy, less than 2% for behavioral health and EAP, less than 5% for TPA costs and less than 1% goes to the State to administer the program. Commissioner Lawrence asked how pharmacy costs compared to other states and the year-over-year changes for prescription benefits.

Ms. Huber responded that about 23% come from pharmacy claims. Ms. Huber also noted that the State of Tennessee receives 100% of the pharmacy rebates, which is not true for all plan sponsors, and which significantly reduces pharmacy costs. We pass back the rebate savings through lower premiums. Commissioner Lawrence mentioned pharmacy benefit manager (PBM) legislation passed by the General Assembly. Ms. Lee noted it will apply to us when we reprocure for our 1/1/2025 PBM contract and that we will need to factor that into our forecast. Kevin Krushenski asked what was driving the pharmaceutical increases. Ms. Huber responded that there are a multitude of things that may be occurring and that the increase is not always a bad thing, as that could offset higher costs in other areas. Inpatient costs have been decreasing and other point of service and outpatient facility costs are increasing. What the plans have seen across the board and what Aon is projecting going forward, are cost increases coming from price as opposed to utilization. Judi Knecht asked Ms. Huber what falls under professional services versus in or outpatient services. Professional services are categorized as the doctors, surgeons, anyone administering the care; anesthesia would also fall into the professional services, as well as the inpatient and outpatient charges themselves.

Ms. Huber gave a high-level summary of the claims underwriting process, looking at the recent 12-month experience, demographics, and use trends for our plans and the market. Ms. Huber discussed the need for continuing to adjust for the higher cost of spouses in our plans. Mr. Krushenski asked if we priced the premium to cover the full actuarial cost would the employee plus spouse tier be the most expensive? Ms. Huber responded yes, based on actual claim experience but that due to it being a small subset of our population, Aon looks more broadly at the actuarial studies, not solely costs specific to our population, over the last five-years. Terry Carroll asked if we were in the second or third year of the spouse adjustment. Ms. Huber responded that 2024 would be the third year.

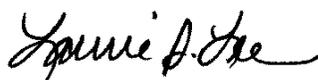
**Agenda Item #3 – [New Business – Legislation Passed by the Tennessee General Assembly]
Presentation by: Meagan Jones of Benefits Administration**

Meagan Jones, Director of Policy Research and Legislative Analysis, gave a presentation of recent legislation passed during the 2023 session of the One Hundred Thirteenth General Assembly. Mr. Bryson asked that she prepare a summary in writing for the Committees once the public chapters are established.

Chairman Bryson asked for a motion to adjourn. Ms. Consiglio-Young made a motion, which was seconded by Commissioner Williams.

The next meeting of the State, Local Education and Local Government Insurance Committees is scheduled for May 25, 2023. With no further business, Chairman Neubert adjourned the meeting at 1:37 p.m. (central).

Respectfully submitted,



Laurie S. Lee